

Frequently Asked Questions Regarding Commercial Forest (CF) and Qualified Forest Property (QFP) Tax Programs

1. **Question:** My land is enrolled in the CF program, but I heard there is also a qualified forest property tax exemption. What does this mean to me as a CF landowner? Do I have to do anything to keep my land in the CF program? Do I have to re-apply to keep my land in the CF program? Can my land be both CF and QFP? If I withdraw my land from CF, is there any payment involved?

Answer: If your land is currently listed in the CF program and you want it to remain in the CF program, do nothing. The CF program is a voluntary program and as long as you are in compliance with the requirements of the CF law and program, your listing continues indefinitely. You may, however, apply to withdraw from the program at any time. There will be a withdrawal application fee and withdrawal penalty payment due, if you decide to withdraw your land from CF.

The CF and QFP are two separate property tax incentive programs. Your land cannot have both a CF and QFP tax designation.

2. **Question:** I bought some land already listed in the CF program. Can the land stay listed in this program?

Answer: Land listed in the CF program can be transferred to a new owner and remain in the program, as long as the new owner complies with all requirements of the CF law and program. The CF law requires an owner notify the Department of Natural Resources (DNR) of an ownership change, in writing, within 30 days of a title transfer. The new owner will be required to submit a copy of the deed or land contract as recorded with the register of deeds in the county where the property is located evidencing the legal title transfer, a copy of their forest management plan (plans are generally not transferable from one owner to another), and will also be required to certify the forest management plan exists and is in effect.

3. **Question:** What are the tax benefits of the CF and QFP exemption to forest landowners?

Answer: CF land is taxed at \$1.20 per acre annually through December 2011. On January 1, 2012, and every 5 years thereafter, the CF tax will increase 5 cents per acre annually. Additionally, CF land that also has an approved sustainable conservation easement is taxed at 15 cents less per acre.

QFP is exempt from the tax levied by a local school district for school operating purposes to the extent provided under Section 1211 of the revised school code.

4. **Question:** Who qualifies for the QFP tax exemption?

Answer: Private landowners with a minimum of 20 contiguous acres in a taxing jurisdiction, where the land is 80% productive forest, capable of producing at least 20 cubic feet of wood volume per year, may qualify for QFP. Landowners must have an approved forest management plan and agree to manage land according to the plan. Landowners may enroll a maximum of 320 acres in QFP within a taxing jurisdiction. No buildings or structures can be located on the land.

5. **Question:** Who qualifies for the CF tax exemption?

Answer: The owner of at least 40 contiguous acres or a survey unit of 1/4 of 1/4 of a section of forestland may qualify for CF. Forestland shall be capable of producing not less than 20 cubic feet per acre per year of forest growth upon maturity, producing tree species that have economic or commercial value, and producing a commercial stand of timber within a reasonable period of time. Landowners must have an approved forest management plan and agree to manage land according to the approved plan.

6. **Question:** What constitutes QFP land?

Answer: 2006 PA 378 says QFP land is land that meets all of the following conditions:

- a. Is not less than 20 contiguous acres in size, of which not less than 80% is productive forest capable of producing wood products. Contiguity is not broken by a road, a right-of-way, or property purchased or taken under condemnation proceedings by a public utility for power transmission lines, if the 2 parcels separated by the purchased or condemned property were a single parcel prior to the sale or condemnation. As used in this subparagraph, "productive forest" means real property capable of growing not less than 20 cubic feet of wood per acre per year. However, if property has been considered productive forest, an act of God that negatively affects that property shall not result in that property not being considered productive forest.
- b. Is stocked with forest products.
- c. Has no buildings or structures located on the real property.
- d. Is subject to an approved forest management plan.

7. **Question:** I see that a forest management plan is required for both QFP and CF. What is a forest management plan, and how do I get a plan written?

Answer: Information included in a complete forest management plan will include unbiased information about the trees and vegetation currently growing on the land, potential forest stands that could be grown on the land, soils present and their qualities, wildlife habitat quality, any threatened and endangered species, any invasive species or insect/diseases noticed, and management recommendations that will help the landowner meet their objectives for owning the land and keeping the resource sustainable. For the purposes of qualifying for CF or QFP, forest management plans must meet specific criteria. Landowners should be sure to check with their plan writer to verify that the writer is familiar with the criteria required for these tax incentive programs.

Plans must be written by professional foresters or certified natural resource professionals. There is usually a fee to have a plan written. The DNR maintains a list of certified Forest Stewardship Plan writers. There is cost share money for having a Forest Stewardship plan written - see <http://www.michigandnr.com/fspplanwriter/>. The Tree Farm organization also provides plan writers. See <http://www.michigantreefarmssystem.org/> about this organization. Other plan writers may be found by contacting other forestry organizations.

8. **Question:** How do I get the QFP tax exemption for my land? Are there forms to complete?

Answer: Landowners wishing to be considered for the QFP exemption must submit a "Claim for Qualified Forest Property Tax Exemption" [Michigan Department of Treasury Form 4449](#).

The Application, two copies of the forest management plan (two copies of any third party certification, if applicable), and a plan review fee must be postmarked or hand-delivered to the DNR no later than October 1, in order to be considered for the tax exemption in the following tax year. The local tax collecting unit assessor will determine if the land is qualified forest property based upon a recommendation from the DNR that the landowner has an approved forest management plan and after the assessor determines that the land is vacant and the acreage limitation has not been exceeded.

9. **Question:** How do I get the CF tax designation for my land? Are there forms to complete?

Answer: Applications to list land in the CF program are available on the DNR webpage at http://www.michigan.gov/dnr/0,1607,7-153-30301_30505-34016--,00.html. Applications must be postmarked or hand-delivered no later than April 1, to be eligible for consideration as commercial forest in the following tax year. An application fee, copy of the forest management plan, and evidence of land ownership must be submitted with the application.

Landowners with already listed CF land who also have a sustainable conservation easement may apply for an additional property tax reduction. Applications must be postmarked or hand-delivered no later than April 1, to be eligible for consideration as commercial forest with a sustainable conservation easement for the following tax year. An application fee and a copy of the conservation easement must be submitted with the application.

10. **Question:** Are there requirements for public access to CF or QFP lands?

Answer: The CF program requires the land be open to the public for hunting and fishing (foot access only). Additionally, CF land that also has an approved sustainable conservation easement must be open to the public for non-motorized recreational use.

Land with a QFP exemption is not required to be open to the public.

11. **Question:** Can oil and or gas be extracted from land in these programs?

Answer: The statute creating the QFP exemption is silent as to whether oil and gas may be removed from land with this exemption.

The CF statute allows deposits of oil and gas to be removed (and sand and gravel under certain circumstances) upon application to and approval by the DNR. An application form is available on the DNR webpage http://www.michigan.gov/dnr/0,1607,7-153-30301_30505-34016--,00.html.

12. **Question:** Once my land is in QFP, what are my responsibilities?

Answer: The owners of qualified forest lands must comply with the forest management plan approved by the DNR. On an annual basis, the owner must provide information (on a form prescribed by the DNR) about the amount of timber products produced on the qualified forest, the number of acres with the QFP tax exemption and whether any buildings or structures have been constructed on the property.

The property owner must file a rescission form ([Treasury form 4450](#)) with the local assessor, within 90 days of a change in use of the property. If this form is not filed, the property owner is

subject to a penalty of \$5.00 per day, up to a maximum of \$1,000. The property owner must file an updated forest management plan upon the expiration of their approved plan. Plans cannot extend beyond a period of 20 years. An owner of QFP shall inform a prospective buyer that the property has a QFP exemption and that the land is subject to a recapture tax, if the qualified forest property is converted by a change in use.

13. Question: How does a landowner withdraw from QFP?

Answer: Within 90 days of a change in use from QFP, the landowner shall rescind the exemption for the applicable portion of the property by filing a rescission form prescribed by the Department of Treasury ([Treasury form 4450](#)) with the local tax collecting unit. The land will be subject to a QFP recapture tax.

14. Question: Can an assessor deny a QFP exemption? If so, is there any appeal process?

Answer: An assessor of the local tax collecting unit may deny a QFP exemption request. A taxpayer may appeal the assessor's determination to the board of review meeting under Section 30 of the General Property Tax Act (1893 PA 206 as amended). A decision of the board of review may be appealed to the Residential and Small Claims Division of the Michigan Tax Tribunal.

15. Question: Once my land is in CF, what are my responsibilities?

Answer: CF land must be managed according to an approved forest management plan. All removals of forest products, gas and oil or sand and gravel must be reported to the DNR prior to removal. Land must be open to the public for hunting and fishing. Landowner must notify DNR within 30 days of a transfer of title of CF land.

16. Question: How does a landowner withdraw from CF?

Answer: A landowner must file an application to withdraw, along with a withdrawal application fee of \$1.00 per acre, with a minimum \$200 application fee and a maximum withdrawal application fee of \$1,000, to the DNR. The landowner will also pay a withdrawal penalty to the township calculated by the DNR, as prescribed in the CF statute. The application to withdraw is available on the DNR webpage at http://www.michigan.gov/dnr/0,1607,7-153-30301_30505-34016--,00.html.